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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of Proposed Revisions of Part 69 of the Commission's Rules to Allow for Incentive Settlement Options for NECA Pool Companies	)	RM-8389

COMMENTS OF THE
NATIONAL TELEPHONE COOPERATIVE ASSOCIATION

The National Telephone Cooperative Association ("NTCA") submits these Comments regarding the Petition For Rulemaking filed by the National Exchange Carrier Association ("NECA") on November 5, 1993 ("NECA Petition"). By the Public Notice, Report No. 1986, released on November 16, 1993, the Commission has invited comments from interested parties. NECA is asking the Commission to revise its rules to allow optional incentive settlement plans within the tariff and revenue pools and to adopt other pooling efficiency measures. NTCA is a national association of approximately 500 small local exchange carriers ("LECs") providing telecommunications services to subscribers and interexchange carriers throughout rural America. The vast majority of NTCA's member LECs participate in the pools administered by NECA. NTCA supports the grant of NECA's request because the changes are needed to keep pace with industry developments.

I. THE INCENTIVE PLAN OPPORTUNITIES AFFORDED LECs OUTSIDE THE POOLS SHOULD BE EXTENDED TO LECS IN THE POOLS.

NECA is proposing two incentive options for pool members.[1] NTCA notes that the two plans closely parallel the regulatory incentive plans available to LECs which file individual tariffs. NTCA believes there are public policy benefits to be obtained by extending these types of options to LECs that participate in the pools. Foremost, the potential benefits of incentives that the Commission has recognized for plans outside the pools may accrue for LECs in the pools. These benefits will be possible without requiring LECs to exit the pools and without requiring each to prepare individual tariff filings. Many LECs, for a variety of obvious reasons, find participation in the NECA tariff and revenue pools to be beneficial with respect to the administrative burdens of dealing with the interstate access environment. Individual tariff filings for potentially several hundred LECs would be administratively burdensome both to the LECs and the Commission's staff.

As with the proposal to allow more small LECs to elect average schedule status[2], positive action on NECA's proposed rule changes would give the opportunity to more LECs to elect a settlement status consistent with industry changes. The

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[1] NECA Petition at 6-12.

[2] See, NECA Petition for Rulemaking filed on September 13, 1993, In the Matter of Proposed Revision of Section 69.605 of the Commission's Rules to Allow Small Cost Settlement Companies to Elect Average Schedule Settlement Status, RM-8357. See also, Comments filed by NTCA on November 1, 1993 and November 15, 1993 in RM-8357.

Commission's current incentive regulation options are not available to LECs that participate in the NECA pools. Industry and regulatory changes in recent years have led to greater tariff filing and ratemaking flexibility. Concurrent efforts have been extended to promote efficiency and to relax regulatory burdens for smaller LECs. Similar options that are compatible with and desirable to smaller LECs should be extended to the pools.

NTCA supports moving forward with NECA's proposal to allow pooling LECs to opt for one of two incentive plans that parallel the small LEC incentive regulation plans available outside the pools. With these comments in mind, the Commission should move forward expeditiously to conduct and conclude a rulemaking proceeding to modify the access plan rules to allow the proposed settlement options.

II. COST STUDIES AND AVERAGE SCHEDULES SHOULD REMAIN PERMANENT SETTLEMENT OPTIONS.

As with price caps and other incentive proposals, the application of these regulatory approaches to many small and rural LECs would be counter-productive to the subscribers they serve.[3] Many of these small LECs face challenging service requirements, high-cost solutions, and low-volume, sparsely populated areas. The imposition of forced settlement levels that depend on predictable costs and expected demand increases could be harmful to many small LECs. As such, a settlement option based on a study of actual costs according to the Commission's Part 36 rules must remain a permanent option for many of the smallest LECs. The service characteristics of these LECs demand that revenues be calculated to support the costs of the local network infrastructure necessary to maintain quality service. Challenged LECs should not be forced to degrade service to meet arbitrary recovery limits imposed by incentive plans.

Furthermore, the interstate average schedule option for settlements should not be disrupted by the proposed incentive plans. The average schedules already contain some of the same attributes as existing incentive regulation plans and the two NECA proposals. Many small LECs find the interstate average

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[3] See generally, NTCA's Comments in CC Docket Nos. 87-313 and 92-135. Specifically, see NTCA's Comments filed August 28, 1992, at 3-7; and Reply Comments filed September 28, 1992, at 5-8, both in CC Docket No. 92-135. NTCA is certain that service demand variance, lower relative growth in rural areas, imposed costs to comply with network upgrades, bypass, and regulatory policy uncertainty would lead to revenue shortfalls and cost recovery risks under an incentive-type plan which would harm many small and rural LECs' abilities to continue to bring quality service at reasonable rates to their subscribers. Moreover, NTCA takes issue with the implicit assumption underlying most incentive plans. Small LECs are responsive to their subscribers and are already efficient and productive and fully committed to providing high quality service. Many small and rural LECs do not want incentive regulatory plans to impose cost cutting pressures resulting in the degradation of already exemplary service to rural subscribers.

schedules a highly simple and less costly method of settling with the NECA pools. The NECA incentive options should supplement the existing settlement options, not replace them.

III. THE ADDITIONAL PROPOSALS FOR POOLING EFFICIENCY ARE JUST AS IMPORTANT AS THE INCENTIVE OPTIONS.

NTCA also supports the other pooling efficiency changes proposed by NECA. Specifically, the new services streamlining is just as important to NECA pooling LECs as it is to any other LEC. The change will allow NECA pooling LECs to deliver new services more quickly without the need for difficult and speculative cost estimates and demand forecasts which are difficult to project for new services.

NTCA also agrees with NECA in that a degree of pricing flexibility is necessary to maintain the viability of the NECA pools compared to individual tariff options. NECA's "revenue-neutral pricing flexibility" proposal, exclusive of the carrier common line and subscriber line charge rates, is but a small step in the right direction.

Finally, NECA is proposing what must be recognized as a modest housecleaning item to conform the Part 69 rules to the pooling mechanics that NECA has employed since its inception. The Commission granted a waiver of the original rules immediately upon the rules' effectiveness, and this waiver has been in effect for NECA's entire history. The change will simply codify the method actually used for nearly a decade.

IV. CONCLUSION

With these comments in mind, the Commission should move forward expeditiously to conduct and conclude a rulemaking proceeding to modify the access plan rules to broaden the settlement options available to pooling LECs consistent with the NECA proposals. These options should supplement the existing cost study and average schedule settlement options, but should not replace these methods. Finally, the other pooling efficiency measures proposed by NECA should also be adopted.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I, Rita H. Bolden, certify that a copy of the foregoing Comments of the National Telephone Cooperative Association in RM-8389 was served on this 16th day of December 1993, by first-class, U.S. Mail, postage prepaid, to the following persons on the attached list:

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